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In the Insider September Issue

Keeping Things in Perspective: A Conversation With NHI's Eric Mendelsohn

Eric Mendelsohn

Experience counts. That's the takeaway from a conversation with Eric Mendelsohn, president & CEO at National Health Investors, Inc. (NHI), a healthcare REIT based in Murfreesboro, Tennessee. Mendelsohn has been in the industry long enough to have experienced its ups and downs and to put current conditions in perspective.

NIC senior principal Bill Kauffman recently caught up with Mendelsohn to discuss NHI as well as today's market and to get his broad outlook for the industry. Here's a recap of their conversation.

Kauffman: Can you give us some background on your professional career and how you became president and CEO of NHI?

Mendelsohn: I started out as a transaction attorney representing banks and REITs and ended up working for Emeritus Senior Living for nine years handling their acquisitions and financings. After we sold the company to Brookdale, I got an interesting offer to come work at NHI from then CEO Justin Hutchens. Justin was our COO at Emeritus until 2009, and he and I had a great working relationship. After I came on board at NHI as their corporate finance executive, Justin left for HCP and I became the CEO after a Board search process was completed. Also, I am a former chair of NIC's Future Leaders Council.

Kauffman: How is your current portfolio allocated? Can you give us a summary of what properties NHI currently holds?

Mendelsohn: We have 243 properties with 36 operating partners in 34 states. Based on revenue, we are about 70% senior housing and 27% skilled nursing, with the remaining holdings in a few hospital/MOB buildings. On the seniors housing side, our largest partnership is with Kansas-based Bickford Senior Living, where we have more than 50 buildings. Our other large senior housing partners include Senior Living Communities, Holiday Retirement, Discovery Senior Living, LCS, Health Services Management, Senior Living Management, and Chancellor Health Care. Our skilled nursing partners are primarily NHC and The Ensign Group.

Kauffman: The skilled nursing sector, in general, has seen many challenges over the past few years, but NIC data shows occupancy stabilizing. What are you seeing in terms of that?

Mendelsohn: NHI occupies an alternate reality when it comes to skilled nursing. Our primary tenants are NHC and Ensign. Both are public companies, both are well capitalized, and both are thriving. I observe that they spend a lot of time and money investing in upgraded systems for their people and their buildings, and managed care is playing a larger role as a payor source, especially in Texas. They also have great government relations skills. I realize there is a lot of turmoil in the skilled space right now, and we are grateful that we have very little exposure to the troubles.

Kauffman: What do you see right now as the main issue for skilled nursing operators? How might they mitigate this?

Mendelsohn: There are a lot of issues to choose from such as declining lengths of stay, shifting more patients to the home setting, poor Medicaid rates, growth in Medicare Advantage, staffing, and the PDPM implementation—just to name a handful! Every operator has their own challenges. But, in general, we think that operators need to adapt to the changing role of the skilled nursing facility in a more value-based reimbursement environment by becoming more efficient and look to partner with the dominant healthcare systems and managed care plans in their markets to drive more referrals.

Kauffman: What is the most important attribute that you look for in an operator, for both an existing relationship and a new relationship?

Mendelsohn: I look for culture most of all. Caring for seniors is a mission and, if the management and staff of an operator don't have the right perspective on that, then nothing is going to work right.

Kauffman: What are you seeing in the private pay seniors housing market, as far as the supply/demand balance?

Mendelsohn: It's market specific, but in general, our situation is fairly similar to what most in the industry are talking about—new deliveries continue to be a challenge, but the growth in supply is showing signs of slowing. So, we're optimistic that 2020 will be better than what we have experienced in the last several years as it relates to supply/demand. That said, even in the most challenging markets, we think our operators are holding up well.

Kauffman: We hear much about wage growth and labor challenges. What do you see from your perspective? What are some possible solutions?

Mendelsohn: That is probably the biggest issue for our operators—more so than new supply. Given the strong economy, we don't see this really getting any easier. But this goes back to an earlier answer on us valuing "culture" more than anything else in an operator. Establishing the right culture will attract good people, and good people beget more good people. Of course, we do see some really good staffing models among our providers.

Kauffman: What are your plans for growth over the next few years? As you grow, are you trying to balance between private pay seniors housing and skilled nursing, as far as property count?

Mendelsohn: We do plan on growing and have had a busy year in 2019 with about $295 million in deals announced year-to-date, with a line of sight on another $45 million. We look at both asset classes and don't necessarily target a private pay/ skilled nursing mix. It's really about partnering with the right operator and finding a price at which we think can earn more than our cost of capital.

Kauffman: Based on NIC property sales transactions data, there is ample liquidity in both the seniors housing and skilled nursing market. Much of the capital is currently coming from the private buyers, not necessarily the large institutional funds, but relatively smaller private buyers/partnerships, etc. Can you give us some insight into who is bidding and winning bids in the market?

Mendelsohn: We see a wide array of bidders dependent on the product type and location, and we're largely in secondary markets that typically are not as attractive to the larger buyers. Most NHI transactions are direct with an operator, so we largely avoid the auction process deals. And, we have found that sellers will sometimes take a little less to deal with NHI because we are a known active buyer, which mitigates the risk of not closing the deal. Interestingly, with so many smaller buyers in the market, we are seeing more opportunities come back around than in the past because the equity partner just can't close a deal or it was priced too high.

Kauffman: Would you say valuations, in general, are fair in both seniors housing and skilled nursing?

Mendelsohn: I'd still characterize both asset classes as expensive right now due to all the capital available. But, we've been doing this for a long time and continue to find accretive ways to deploy capital. And, as I mentioned previously, 2019 has been a busy year for NHI.

Kauffman: Has your cost of capital improved over the past year? Why or why not?

Mendelsohn: I'd say it has modestly improved in the last 12 months. Our cost of debt has improved a little bit, and we're carrying a little more leverage but still well within our targeted 4.0 – 5.0 range (net debt-to-adjusted EBITDA). Our cost of equity is more subjective, but with the stock up a little bit and the risk-free rate down, we think overall that our equity cost has improved.

Kauffman: We've now been in the longest economic expansion in history. Do you and/or your team factor this into your decision making? What do you see happening over the next five years?

Mendelsohn: I don't think many people could accurately predict what's going to play out over the next five years. But we do spend plenty of time discussing the macro environment. We have good line of sight into the overall demand growth and are hopeful that new supply growth is slowing, so that bodes well for us and the industry.

To the extent the U.S. does enter into a recession, it would likely have more of an impact on our seniors housing discretionary portfolio, which is 34 percent of our revenue. We're comfortable with our coverage in that portfolio, though. Of course, a softening in the economy would likely improve some of the staffing challenges our operators have currently.

Still, we expect that our strategy over the longer term will stay consistent insomuch as we continue to seek existing and new partners to grow within markets that have a demonstrated demand for a particular asset type and where we believe we have a competitive advantage.

Middle Market Discussions Will Bookend NIC Fall Conference

Building off the momentum, enthusiasm, and focus of NIC's recently released **Middle Market Study**, NIC will open and close the 2019 Fall conference with two sessions dedicated to this topic. The study, funded by NIC and conducted by NORC at the University of Chicago, revealed there is a substantial market that private-pay seniors housing currently is not serving. This is the cohort who do not qualify for Medicaid but may not have sufficient resources to pay for private seniors housing as it exists today. More than half of these individuals are projected to have mobility limitations by 2029 and other health care needs.

In the first session to be held on Wednesday at 3:15 PM CT, "hackers" identified ahead of the event will have worked in small groups to design care and housing solutions for the nation's middle-income cohort. This so-called "hackathon" event will focus on the practical elements of designing a property to suit this cohort, while meeting business goals. Their resulting proposed solutions will be presented to those in attendance at the session.

In the second session to be held on Friday at 9:00 AM CT, practical solutions from Wednesday's Forgotten Middle hackathon session will be discussed and debated in a town hall format that will encourage a roundtable discussion among thought leaders and session attendees. Entrepreneurs with imagination and passion are encouraged to attend.

Meeting the care and housing needs of "forgotten middle" seniors will require practical solutions in the design and construction of new properties and their associated services, as well as in financial structures and the capital stack. Both public and private sectors will need to work together to successfully bring solutions to this challenging opportunity. New thinking may assume greater flexibility from government—on both state and federal levels—on zoning, regulatory restrictions, and potential subsidies. Other factors may include technological cost-savers, more affordable designs, entrepreneurial approaches to public-private partnerships and financial incentives for capital providers.

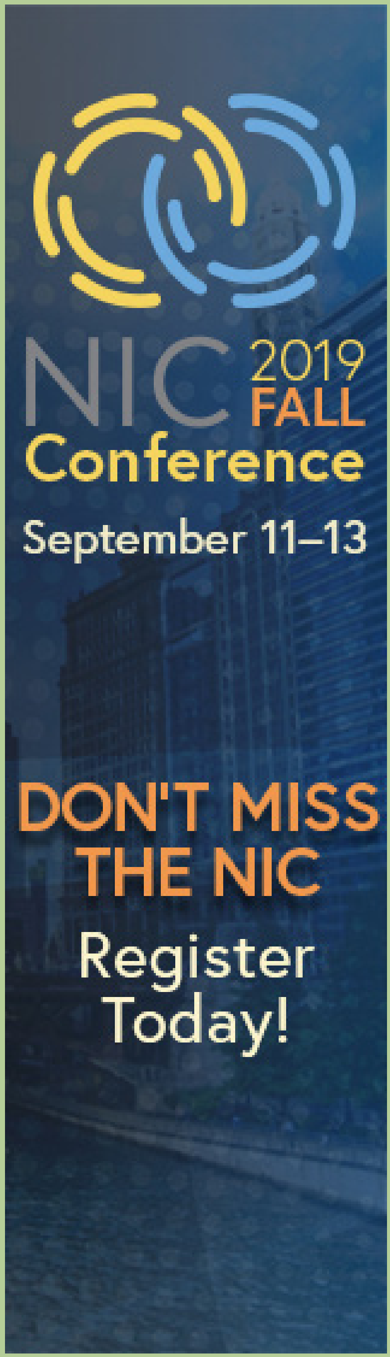
Expected discussion topics include:

- How big is the opportunity?
- How can the private sector provide care and housing to this growing cohort?
- Can the private sector do it alone or does it need government assistance?
- What are practical solutions to providing care and housing to this growing cohort?
- Will investment returns need to be adjusted to attract capital to this cohort? Is this a more or less risky opportunity?
- Do underwriting standards need to be adjusted to accommodate this evolving investment prospect?

NIC Fall Conference Sessions:

- **The Forgotten Middle: Understanding a Growing Opportunity**
  Wednesday, September 11 at 3:15 PM CT
- **A Growing Opportunity: Partnerships Working Together for The Forgotten Middle**
  Friday, September 13 at 9:00 AM CT

To learn about these and other sessions, please visit the **event website**.



"The NIC" Offers Skilled Nursing Attendees Opportunity, Insight, and Innovation

The 2019 NIC Fall Conference is one of the year's premier events. Over the years, this three-day event has grown, now drawing over 3,000 professionals, around 70% of whom are senior-level executives. Owners, operators, administrators, and other leaders in seniors housing and care will flock to Chicago this September 11 to 13 for a variety of reasons, not least of which is the opportunity for high-quality networking with each other, capital providers, and deal-makers from across the United States.

Another big draw is "the NIC"'s reputation for thought-leadership and educational sessions. Each year, event attendees are treated to keynote addresses from some of our nation's leading voices on policy, politics, innovation, healthcare, and the economy. This year's opening general session will feature Dr. Janet Yellen, the first-ever woman to be appointed chair of the Board of Governors of the Federal Reserve System, in a discussion with Kathleen Hays, the Global Economics and Policy Editor for Bloomberg Television and Radio.

Attendees will be treated to an exchange focused on the economic topics relevant to seniors housing and skilled nursing—and will hear how the former Federal Reserve Board chair views the economic environment. The sector will likely feel the influence of numerous economic forces in coming years, ranging from interest rates and the yield curve to the varying impacts of the global economy on regional economies across the United States. Macro-economic trends will influence domestic policy, the regulatory environment, labor markets, the healthcare sector, and other factors that decision makers will be watching closely.

The conference will also feature Joseph F. Coughlin, Ph.D., director of MIT's AgeLab, as the Luncheon General Session Keynote speaker. He will discuss how aging Baby Boomers' behaviors will influence the future of senior care products and services. Coughlin's remarks follow recent NIC-convened discussions in New York and Washington, DC on the implications of new research from NORC at the University of Chicago, which defined a large and growing middle-income market for seniors housing.

A full schedule of concurrent sessions presents attendees with many options for absorbing expert insights into current market trends and innovations as well as the disruptions facing the industry. Sessions are organized into two tracks, designed to offer value both to the operations side of the industry, and the capital provider side. No matter where an attendee may work, the conference offers thought-provoking, highly relevant content designed to make a difference in the way they do business. Here are a few of the sessions that NIC has scheduled for this year; a full listing can be found on the **event website**.

Skilled Nursing Trends: What is Driving Market Trends and Expectations for the Future?
The skilled nursing sector is evolving quickly in response to PDPM, Medicare Advantage, Managed Care and a host of influences affecting markets across the country. This session will focus on trends driving change in the marketplace, looking at the latest data, and identifying what is driving investment, operations, and strategic initiatives.

Actionable Strategies for Workforce Development and Retention
With record-low unemployment rates, competition from other sectors, and other pressures, labor shortages and rising costs are a significant challenge for the seniors housing and care sector. This session will feature a discussion on what operators are doing to be great employers. You will hear how operators differentiate themselves from other employers to provide great places to work that attract and retain top talent and enables their workforce to deliver positive experiences for their customers.

The Forgotten Middle—Understanding A Monumental Opportunity
The NORC study reveals that there is a substantial private-pay seniors housing and care market that is currently not being served. The scale of the needs outlined in the study is enough to severely impact government entitlement and assistance programs if policy makers and regulatory bodies don't find ways to work with private entities on joint solutions. In this session, attendees who worked in small groups to focus on the practical elements of designing a property to suit this cohort while meeting business goals will present their proposed solutions to address the care and housing of this Forgotten Middle.

Innovations That Work!
As seniors housing and skilled nursing markets evolve, owners and operators look to innovation to add value and improve margins. Today's real-world innovations are yielding demonstratable results that create value for residents and owners alike. Operators and investors will be inspired by hearing real-world examples of innovations that work.

Home Health: Should I Own It or Partner?
As acuity increases across all care sites, and residents desire to age in place, seniors housing and skilled nursing owners, operators, investors, and developers must navigate how and where care is provided, including the prospective use of home care and/or home health in a value-based world. This session offers the opportunity to hear from decision-makers who have chosen different home care and home health strategies. Attendees will gain insights into the key factors that should be weighed, particularly when deciding whether to own home care or home health or to partner and/or affiliate with a provider.

Wheel of...Valuation
Putting a new spin on a popular session topic, "contestants" representing debt and equity providers, appraisers, brokers, owner/operators and investors, will spell out how various constituents use valuation clues. After the studio audience picks the top six valuation issues, "fortune" will determine who amongst an expert panel, all of whom represent different constituencies, will share their insights on that issue–and who might see it differently.

NIC has been innovative over the years, coming up with a number of fresh session concepts, many of which are now popular mainstays of the event. These include peer-to-peer salons, in which attendees participate in facilitated group discussions on key industry topics. Finally, the event features two high-production value, high-impact NIC Talks sessions. Each of these one-hour programs features several 12-minute TEDx-style presentations designed to challenge how people think about aging and longevity.

The 2019 NIC Fall Conference will be held September 11-13, at the Sheraton Grand Chicago. Register here.

Thoughts from NIC's Chief Economist

By Beth Burnham Mace

Beth Burnham Mace

Fed Policy. The Fed followed market expectations and lowered interest rates on July 31st for the first time since 2008, as it reacted preemptively to concerns of a potential economic slowdown. For several months, concerns about trade wars and slowing growth in Europe, China, and the U.S. have been on the radar screen of the Fed. Federal Reserve Chair Jerome Powell said the cut was "intended to ensure against downside risks from weak global growth and trade tensions." The move is being labeled an "insurance cut" because it is meant to keep the economy's engine pumping. The Fed also officially ended its quantitative tightening program and will no longer try to pro-actively reduce its balance sheet. Concerns about slow growth in prices and even fears of disinflation also factored into the Fed's decision.

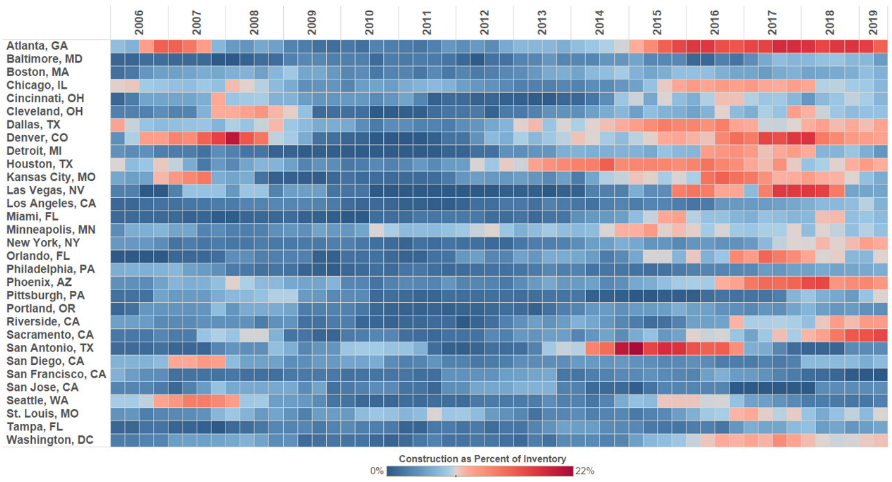
The fed funds rate is now targeted at a range of 2% to 2.25%, down 25 basis points from its prior target range. Until July and since late 2015, the Federal Reserve had been gradually raising rates following six years of virtually 0% interest rates (2009 through 2015).

Looking ahead, the question becomes whether the Fed will continue to nudge rates lower. So far, warning signs are flashing yellow, but a red signal for economic growth could appear and cause the Fed to further lower rates. Notable concerns include waning U.S. manufacturing activity, slowing U.S. and global GDP growth, fading stimulus from the tax cuts and spending stimulus, falling Asian exports, geopolitical threats such as Brexit which could push Europe and the U.K. into recession, and the collapse of the Iranian nuclear deal which could lead to a spike in oil prices. Any of these events could weaken business and/or consumer confidence and lead to a slowdown in business investment and consumer spending, weaker job formation, and slower output growth. Its notable that each of the 10 recessions since World War II began with more than a quarter-percentage point increase in the unemployment rate in a three-month period. While this has not yet happened, it is also notable that the yield curve inverted in March 2019 for the first time since 2007 (since March, the yield curve has inverted an additional number of times). An inverted yield curve has always preceded a recession by seven to twenty-four months since 1956.

Construction as a Share of Inventory by Market. Below is one of my favorite charts from our quarterly NIC MAP® webinars. It shows distinct development cycles over time and across geographies. Specifically, this chart depicts a heat map of seniors housing construction as a share of inventory for each of the NIC MAP 31 Primary Markets. The scale ranges from 0%—the darkest blue shades—to 22%—the deepest reds. For perspective, construction as a share of inventory was 6.9% (43,000 units) across all of the Primary Markets in the second quarter of 2019. Other highlights from the chart include:

Distinct Construction Cycles by Market

Seniors Housing Construction as Percent of Inventory
Primary Markets | 1Q06 – 2Q19



Source: NIC MAP® Data Service

- In the aftermath of the recession and the dearth of capital that prevailed at that time, there was minimal to no seniors housing construction during the 2009 to early 2012 period. Since then and as capital has become more available—both debt and equity—construction has accelerated, as evidenced by the pink and red demarcations. Thus, seniors housing, like other real estate asset types, has clear cycles of development. An understanding of these cycles can create opportunity.
- Not all metropolitan markets are the same. Some have seen significant construction activity while others have seen little. The differences in development activity are driven in part by the availability and cost of both land and capital, the entitlement processes and regulations, and other barriers to entry. Atlanta versus San Francisco demarcations on the chart demonstrate this point.
- Some metropolitan markets are simmering hot with construction and development activity, while others were hot and have now cooled down, and others have never been very active.
  - » The five markets with the highest shares of inventory under construction in the second quarter of 2019, as identified in the chart by the redder shades, include Sacramento, Atlanta, Phoenix, Riverside, and Denver.
  - » The five markets with the lowest shares of inventory under construction are San Francisco, Seattle, San Antonio, San Jose and Portland, as identified by the darker blue shades.
- For some markets, current construction activity and units opened but not yet leased are a threat to improving market conditions.
  - » For example, as of the second quarter of 2019, Atlanta had 14.5% of its stock under construction, the second most of any one of the 31 Primary Markets (Sacramento was highest at 16.2%), although this was down from a peak of 18.2% in the third quarter of 2017. In the second quarter for Atlanta, this equaled 3,077 units. With 3,077 units under construction,

if the pace of absorption continued at the same historical pace it has been since mid-2016, it would take three years for Atlanta to absorb this amount of inventory.

- » If we add in the units in Atlanta that are recently open and not yet occupied (2,269), the total number of units in Atlanta that are either under construction or not yet leased equals 5,346. For perspective on this volume of new supply, it has been more than seven years (back to early 2012) since 5,409 units were absorbed on a net basis. This suggests that there will continue to be downward pressure on Atlanta's occupancy rate as this new inventory is leased in the coming years. And already, the occupancy rate for Atlanta was 83.4% in the second quarter, the fourth lowest among the 31 Primary Markets.

- The markets may be listening to warning signs.
  - » Indeed, San Antonio's construction as a share of inventory had reached a very high level of 21.6% in first quarter 2015; today, there is very little development underway (3.1% of its inventory or 302 units) in the metropolitan market. As a result, occupancy is improving and is likely to continue to do so. In the second quarter, the occupancy rate was 82.9% — up nearly 4.4 percentage points from year-earlier levels. While this still places San Antonio with the third lowest occupancy rate, it is a sign in the right direction.
- While the overall occupancy rate for seniors housing slipped to an eleven-year low of 87.8% in the second quarter, twelve metropolitan markets still had occupancy rates above 90%.
  - » In alphabetical order, these include: Baltimore (90.6%), Boston (90.2%), (both light blue showing moderate construction activity), Minneapolis (90.0%), New York (90.6%, slightly pink in the chart), Philadelphia (90.6%), Pittsburgh (91.1%, light pink), Portland (91.6%), Sacramento (90.6%, nearly red meaning development activity under way), San Diego (90.1%), San Francisco (91.3%, dark blue with virtually no construction), San Jose (95.7%, the highest occupancy rate of any of the Primary Markets).
  - » For nearly all of these markets, construction as a share of inventory was less than the Primary Markets, except for Sacramento (16.2%), New York (9.2%) and Pittsburgh (8.0%).
  - » In contrast, there was limited activity—less than 3.5%—occurring in Portland, San Jose, Seattle and San Francisco (which had none underway).
  - » This suggests that in many of today's most occupied markets, inventory growth will be less of a challenge than in markets such as Atlanta, Dallas, Denver and Phoenix. This also suggests that these markets may be good candidates for further investigation for investment and development opportunities.

As always, I welcome your comments and feedback.

Beth

Active Adult Housing: Q&A

By Dana Scheppmann, senior vice president, Capital One Healthcare Real Estate and Courtney Nickels, vice president, Artemis Real Estate Partners

Dana Scheppmann

Courtney Nickels

The term “active adult housing” is a trending phrase that has gained popularity and investor appeal in recent years, but there are a wide range of opinions and thoughts on the definition, and to whom the product will ultimately appeal. In fact, the product is still evolving in a lot of ways. Investors and operators are experimenting with creative ways to accommodate residents to compete with traditional multifamily and seniors housing and challenge the limitations of each. We reached out to thought leaders in the space to discuss their perspectives on what rental “active adult housing” means to them, whether there is enough transparent data out there to inform investors and developers, and lastly what they think the appeal is to both this generation of seniors and future generations. After a handful of discussions, a common opinion proved to be that today’s active adult housing is what “independent living” was 20 years ago, and it will likely play into the senior housing spectrum at some point in the future.

What does active adult housing mean to you? How do you define active adult housing?

Charles Bissell, managing director, JLL Capital Markets:

I would define this market as private pay housing that is age restricted to seniors (55+ or 62+) and does NOT include bundled services such as housekeeping or meals in the rental rates. There are two sub-sets of this—market rate and income restricted. Some properties are a mix of market rate and income restricted. In addition, some properties “blur the line” between active adult and independent living by including a la carte housekeeping and/or meals. In general, if the property has a commercial kitchen, prepares “hot” meals on site, and offers these at least 5 days a week to residents, we would likely classify it as independent living, not active adult.

Michael Uccellini, CEO, The United Group of Companies:

Active adult housing is market rate, age restricted, community based living for healthy and active seniors who are looking to transition away from the burdens, costs, and isolation of homeownership and move into a maintenance-free and socially active and independent environment.

Mitch Brown, senior managing director, Platform Strategy, Greystar:

Rental active adult housing could be referred to as “true Independent Living” in that it is predominately a real estate product with an array of optional lifestyle amenities that are tailored to and, in many cases run by, the residents.

What are the top reasons you feel a resident would move into an active adult community as opposed to traditional seniors housing?

Charles Bissell, managing director, JLL Capital Markets:

1. Affordability: The rents are generally lower in active adult versus independent living.
2. Optionality: Some residents do not like the “bundling” of services in independent living and feel that they are being charged for services they do not want. In active adult, the residents are not forced to pay for bundled services.
3. Apartment size: Active adult projects tend to have larger units, and residents find it easier to downsize into these units than smaller independent living units.

Michael Uccellini, CEO, The United Group of Companies:

Residents are looking for maintenance-free living and social and intellectual interaction, as well as amenities. Residents appreciate the affordability of an active adult community and their various optional expenses with no long-term commitments. Active adult communities also are generally home to more physically and socially active residents compared to traditional seniors housing communities. The apartment homes at active adult communities are typically larger and more spacious too.

Mitch Brown, senior managing director, Platform Strategy, Greystar:

With an average age of 72 versus mid-80s, the residents of these communities are very active and are not thinking about or needing care. In most cases, they no longer want to maintain a single-family home and appreciate the ability to lock and leave. They also enjoy exploring new passions and opportunities at this life stage and many still work full or part time.

Do you think active adult housing is a feeder to more traditional seniors housing or is it a lower cost alternative?

Charles Bissell, managing director, JLL Capital Markets:

It is both a feeder and a lower cost alternative. We know that the average age of entry into active adult is in the low 70s, while the average age of entry into independent living is in the low 80s. Many residents of active adult will eventually need to transition to other forms of seniors housing and since they are already renters, that transition will be more seamless than for seniors still residing in homes they own. But active adult is also a lower cost alternative, and many residents elect to rent active adult apartments due to the pricing gap between active adult and independent living.

Michael Uccellini, CEO, The United Group of Companies:

Active adult could be considered a potential feeder; however, I don’t think it’s a feeder in the same sense that we see residents transition between independent living and assisted living. That move is more need-based. For most people, budget is a major consideration; there is a segment of the population that chooses active adult over independent living based on cost versus preference, as well as the larger apartment sizes.

Mitch Brown, senior managing director, Platform Strategy, Greystar:

Given the younger age of the resident base, active adult should provide downstream demand for assisted living and memory care in about 8 to 10 years depending on the market. This is somewhat similar to CCRCs, and a few developers have considered co-locating the two uses with this in mind, although they would typically be developed and operated by different entities.

Is there data transparency related to leasing volume and occupancy for active adult housing? If not, how do you recommend that such data transparency could be developed?

Beth Burnham Mace, chief economist and director of Outreach, NIC:

At this point in the product cycle of active adult, there is no one single database that I know of that tracks market fundamentals specifically for active adult such as inventory, supply growth, absorption, occupancy, or rents—the concepts that we track in NIC MAP®. As investor and operator interest grow, the need for this type of transparency will grow.

With the senior population growing at a rapid pace and becoming more diverse, active adult housing provides another category of housing choice. There is not, nor will there continue to be, a “one-size-fits-all” approach to active adult housing. The discussion will continue as the industry strives to shed light on the ambiguity around the term “active adult,” the real estate and service offering, and the demand that exists.

Panel moderator Aron Will, managing director of CBRE Capital Markets, added “The active adult sector is very much the Wild Wild West in its infancy. Yet, if we look back in 5 to 10 years, it could be a part of the seniors continuum that is referred to by an acronym (i.e. “AA”) right before IL, AL, MC.”

NIC will host a panel session at its upcoming Fall Conference in Chicago on Thursday, September 12, 2019 entitled “Active Adult: The New Independent Living?” where more experts will share their perspectives on active adult housing. The panel will dive deeper into these questions, as well as key drivers of active adult investment and analysis of the market impact. There will be additional discussion at the session’s Peer-to-Peer Salon on Thursday, September 12, at 3:45 PM CT.

To learn about this and other conference sessions, please visit here.

Featured Article in Upcoming Seniors Housing & Care Journal 2019 Examines Whether Residing in Dementia Special Care Units Reduces Adverse Outcomes

The 2019 Seniors Housing & Care Journal offers peer-reviewed research articles and commentaries with a strong focus on applied research and best practices in the fields of seniors housing and long-term care. The Journal continues to feature topics most relevant for seniors housing providers and investors, with emphases on asset transparency, leadership development and talent selection, availability and affordability of seniors housing, and quality outcomes.

It is well-recognized that cognitive impairment is a risk factor among older adults for adverse events, including hospitalization, emergency department visits, and falls. In response, residential special care communities have become a common care provider for cognitively impaired individuals. However, only a few studies have compared characteristics of providers and residents as well as selected care processes and adverse event outcomes between dementia special care units (DSCUs) and non-dementia special care units (non-DSCUs) in residential care settings. This research is the subject of the article selected as the outstanding research article by the editors of the Seniors Housing & Care Journal 2019, which will be released in conjunction with the 2019 NIC Fall Conference. The research article, Emergency Department Visits Among Residential Care Residents With Cognitive Impairment: Adverse Outcomes in Dementia Special Care Units (DSCU) Versus Non-DSCU Settings, authored by Eunice Park-Lee and Manisha Sengupta, examines whether residing in DSCUs is associated with fewer injurious falls, hospitalizations, and emergency department visits among older, cognitively impaired residential care community residents. Using data from the National Survey of Residential Care Facilities (NSRCF), the findings suggest that residing in DSCUs is associated with lower odds of hospitalization and emergency department visits.

Two papers of merit were also awarded special recognition by the Journal's editors. The first article receiving special recognition, Better Living Through Technology: The Effects of Technology-Mediated Recreation on Long-Term Care Facility Residents' Quality of Life, authored by McMahan, Godoy, Awosanya, Winningham, Vilmorin, and McMahon, examines the positive effects of resident engagement in Technology Mediated Recreational Programming (TMRP). In addition to providing initial empirical evidence that technology can be used effectively in recreational programming in a long-term care setting, the study suggests that the use of new technologies can possibly compensate for challenges to delivering care to a growing population of older adults amid shrinking resources.

The second article receiving special recognition, The Resident Perspective on Housing with Services: The Right Care, Right Place, Right Time Program, explores older adult participants' perspectives on a housing with services model that emphasizes health-related care-coordinated supports for older residents. The authors, Miller, Nadash, Simpson, Shellito, and Cohen, suggest that understanding the resident experience is critical in creating a sustainable and replicable model of affordable resident-centered housing with supportive services programs.

In addition to the six research articles in the 2019 edition of the Journal, two commentaries offer new insights into important issues in seniors housing and care. The Journal concludes with an Executive Roundtable focused on the seniors housing middle market titled, The Forgotten Middle: Middle Market Seniors Housing Study. In this discussion, three of the article's authors offer their thoughts on the research findings and implications for the industry.

If you would like to submit a proposal for an article for publication in next year's 2020 edition of The Journal, the deadline for article proposals is Monday, December 2, 2019. For more information visit **here.**

Internship Program for Summer of 2020

By Sarah Peerson, vice president, Senior Housing Finance, Wells Fargo Bank
Tom Mathisen, vice president, Investments, LCS

As the seniors housing and care industry continues to grow, recruiting becomes an ever-prominent focal point. The workforce required to serve the population that will desire a change in lifestyle to independent living, or that will need care in the future, is quickly growing. To that end, it will be critical for the industry to recruit talented individuals to fill internships and full-time roles.

Sarah Peerson

Tom Mathisen

The University Outreach Committee, spearheaded by NIC's Future Leaders Council (FLC), has paired talented students from university undergraduate and graduate level programs with leading firms in the seniors housing and care industry for summer internship experiences and entry level job opportunities since 2011. The committee will begin the process again starting in September and is inviting you all to participate!

NIC currently hosts a dedicated website on which employers can post internships and full-time opportunities which span all position types including IT, human resources, operations, as well as acquisitions, development, debt origination, and consulting. Once internships are posted, the committee works with selected universities to share these opportunities on campus. Companies can elect to have students apply from the NIC website or send in resumes through their normal recruiting process. The goal is to provide additional exposure for your positions and promote opportunities for students in the seniors housing and care industry.

In past years, NIC has helped students with internships at REITs, large banks, national and regional operators, private equity firms and consulting firms. The focuses of the internships have included roles in finance, development, human resources, asset management, and community operations.

If you are interested in posting an opportunity or simply have a question about the program, please contact **internships@nic.org**.

The following link will direct you to the website where opportunities will be posted: **www.nic.org/internships**.

NIC Internship Success Story

After graduating from USC, Richard Wang was accepted to the Wharton School at the University of Pennsylvania where he found NIC. Through NIC's internship program, Richard applied and was accepted to an opportunity with Belmont Village. Today he is vice president of Investments & Strategy for the company and is also a member of the FLC.

> "Throughout my internship, I looked for places where I could add value and came away knowing much more about the industry. The internship also allowed me to hit the ground running when I joined Belmont full time nine months later. Internships really can become what you make of them."
> *– Richard Wang, vice president of Investments & Strategy, Belmont Village Senior Living*

Overview of NIC's University Outreach Internship Program

The committee started with a network of seven schools which has since grown to twenty-two schools via FLC industry contacts as well as partners of NIC. The current list of schools is below.

Arizona State University
Columbia University Business School
Cornell University
Emory University
George Mason University
Ohio State University
Roosevelt University
University of Arizona – Eller School
University of Florida
University of Georgia
University of Maryland Baltimore County (UMBC)
University of Northern Iowa
University of North Carolina at Chapel Hill
University of Pennsylvania – Wharton School
University of Southern California (USC)
University of Texas at Austin
University of Texas at San Antonio
University of Wisconsin – Madison
University of Wisconsin – Eau Claire
Vanderbilt University – Owen School
Virginia Tech
Washington State University

Each of these schools offers a specialized program in one or more of the following fields: real estate, hospitality, finance, gerontology and/or technology.
The University Outreach Committee will look to expand this list through various channels in an effort to further the NIC mission and make a significant contribution

to building the industry workforce.

Internship opportunities are posted in early fall to align with the corporate and universities' recruitment processes which typically begin in mid to late fall. Once internships are posted, members of NIC's Future Leaders Council work with the universities to promote the opportunities on campus. This platform offers an extra boost to the recruiting efforts of each company that participates. Forming relationships with students seeking careers in the industry is a great benefit as recruiting continues to be a challenge.

The University Outreach Committee constantly networks to expand the list of partner universities. Given the broad reach of NIC throughout the industry, the internship program is recognized as an effective recruiting avenue for organizations focused on the seniors housing and care space, and is yet another testament to the commitment of NIC, the FLC, and the University Outreach Committee to attract qualified, talented individuals who can help lead the industry forward.

Seniors Housing & Care Industry Calendar

9/11-13	NIC 2019 Fall Conference	Chicago, IL
9/17-19	LeadingAge Minnesota Annual Meeting & Leadership Forum	Brainerd, MN
9/18	Home Health Care News Summit	Chicago, IL
9/25-27	22nd Annual Ziegler Senior Living Finance & Strategy Conference	Fernandina Beach, FL

NIC Partners

We gratefully acknowledge our following partners:

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